

PROPOSED CHARGING LETTER

March 9, 2012

Mr. Tae Hoon Kim, President
Alpine Aerospace Corporation
86 Garry Road
Closter, NJ 07624

Mr. Tae Hoon Kim, CEO
TS Trade Tech Incorporated
86 Garry Road
Closter, NJ 07624

Re: Potential Violations of the Arms Export Control Act and the International
Traffic in Arms Regulations by Alpine Aerospace Corporation and TS Trade
Tech Incorporated

Dear Mr. Kim:

The Department of State ("Department") charges Alpine Aerospace Corporation ("Respondent Alpine") and TS Trade Tech Incorporated ("Respondent TS Trade") (collectively "Respondents") with violations of the Arms Export Control Act, 22 U.S.C. 2778 (the "AECA"), and the International Traffic in Arms Regulations, 22 C.F.R. Parts 120 - 130 ("ITAR") in connection with the unauthorized export of defense articles, the misrepresentation and omission of material facts on an export control document, and failure to obtain required nontransfer and use certificates. Nine (9) violations are alleged at this time.

The essential facts constituting the alleged violations are described herein. The Department reserves the right to amend this proposed charging letter, including through a revision to incorporate additional charges stemming from the same misconduct of Respondents in these matters. Please be advised that this proposed charging letter, pursuant to 22 C.F.R. § 128.3, provides notice of our

intent to impose debarment or civil penalties or both in accordance with § 127.7 and 127.10 of the ITAR.

Respondent Alpine did not submit a Voluntary Disclosure in accordance with § 127.12 of the ITAR. The Department became aware of the issues only after an Information was filed in federal court charging Respondent Alpine with making materially false, fictitious, and fraudulent statements and representations involving defense items on shipper's export declaration forms filed with U.S. Customs and Border Protection in violation of Title 18, United States Code, Section 1001 and Section 2. Subsequently, Respondent TS Trade, which is owned by the same person as Alpine, did submit a Voluntary Disclosure in accordance with § 127.12 of the ITAR as to its violations.

In addition to the Voluntary Disclosure submitted by Respondent TS Trade, the Department considered the Respondents' remedial compliance measures as mitigating factors when determining the charges to pursue in this matter. Each Respondent has appointed a new Vice President for Compliance responsible for export compliance and obtaining all required authorizations. Also, Respondents have undergone ITAR compliance training and instituted new review and control procedures designed to prevent or detect any violations.

However, given the national security and foreign policy interests involved, the Department has decided to charge Respondent Alpine with eight (8) violations, and Respondent TS Trade with one (1) violation at this time. We note that had the Department not taken into consideration the Respondents' remedial compliance measures and the Voluntary Disclosure as mitigating factors, the Department would have charged the Respondents with additional violations and the penalty imposed would likely be more significant.

BACKGROUND

Respondents are in the business of selling replacement parts to the aerospace industry in the Republic of Korea ("South Korea"), many of which are for ultimate end-use by the South Korean military. Respondents share common ownership, but no common corporate parent, and therefore maintain distinct registrations with the Department. Many of the parts procured and sold by Respondents are designated as defense articles pursuant to § 38 of the AECA and the United States Munitions List ("USML"), § 121.1 of the ITAR. For those parts covered by the USML,

Respondents were required to obtain an authorization from the Department before any such USML part could be exported from the United States.

Mr. Tae Hoon Kim, in his distinct capacities as President of Respondent Alpine and Chief Executive Officer of Respondent TS Trade, respectively, was responsible for international sales and obtaining all required authorizations for such sales. From July 2005 through January 2007, Mr. Kim arranged several foreign sales without obtaining the proper approvals prior to exporting, and in some instances, cited licenses that did not cover Respondents' exports. At the time, Respondents did not have sufficient policies and procedures concerning export compliance.

As a consequence of these serious weaknesses in Respondents' compliance procedures, Respondents exported to South Korea without authorization: replacement parts for a Hawk missile system, and replacement parts for military aircraft.

The following is a summary of Respondents' ITAR violations:

- During the period July 1, 2005 through January 31, 2007, Respondent Alpine engaged in six (6) exports to the Republic of Korea Air Force in South Korea ("ROKAF") of parts for use on a Hawk missile system. The parts were classified under USML Category IV(h) or XI(c). The parts consisted of: four (4) flywheels, part # 10943552; 30 lever locks, part # 11675117; 30 electron tubes, part # 10044205; four (4) spiders, part # 10673179; and two (2) connecting links, part # 9171119.
- Respondent Alpine failed to obtain a DSP-83 Non-Transfer and Use Certificate for these exports.
- Respondent Alpine stated on export control documents that the exports were covered by an export license for certain replacement aircraft parts when, in fact, the exports were beyond the scope of the license, in violation of ITAR Part 127.2(a).
- On September 1, 2006, Respondent TS Trade exported without authorization 20 flanges with part # GAF530AF300A and 20 with part # GAF530AM300A. These parts were classified under USML Category VIII(h).

JURISDICTION

Respondents are corporations organized under the laws of the state of New Jersey.

Respondents are U.S. persons within the meaning of the AECA and § 120.15 of the ITAR and are subject to the jurisdiction of the United States.

During the period covered by the violations set forth herein, Respondents were engaged in the export of defense articles and were registered as exporters with the Department of State, Directorate of Defense Trade Controls ("DDTC") in accordance with Section 38 of the AECA and § 122.1 of the ITAR.

The defense articles associated with the violations outlined below are designated as controlled under Category IV, VIII, and XI of the U.S. Munitions List, § 122.1 of the ITAR. The Category IV and XI items identified in Charges 1 through 7 below are further defined as Significant Military Equipment ("SME"), requiring a DSP-83 (Nontransfer and Use Certificate) for re-transfers and re-exports.

RELEVANT ITAR REQUIREMENTS

Part 121 of the ITAR contains the USML, which identifies the items that are defense articles, technical data, and defense services pursuant to section 38 of the AECA.

Section 127.1(a)(1) of the ITAR provides that it is unlawful to export or attempt to export from the United States, or to reexport or retransfer or attempt to reexport or retransfer from one foreign destination to another foreign destination by a U.S. person of any defense article or technical data or to furnish any defense service for which a license or written approval is required by the ITAR without first obtaining the required license or written approval from DDTC.

Section 127.2(a) of the ITAR provides that it is unlawful to use any export or temporary import control document containing a false statement or misrepresenting or omitting a material fact for the purpose of exporting any defense article or technical data or furnishing of any defense service for which a license or approval is required by the ITAR. Section 127.2(b) of the ITAR provides that an SED is an export or temporary import control document.

Section 123.10(a) of the ITAR provides that a Non-Transfer and Use Certificate (Form DSP-83) is required for the export of significant military equipment (SME) and classified technical data.

CHARGES

Charges 1- 7 - Unauthorized Export of Defense Articles, including Significant Military Equipment (SME)

Respondents violated § 127.1(a)(1) of the ITAR seven (7) times when they exported USML Categories IV, VIII, and XI to South Korea without the appropriate authorizations from the Department, as required by § 123.1 of the ITAR.

Charge 8 - Misrepresentation and Omission of Facts

Respondents violated § 127.2(a) of the ITAR one (1) time when they used export control documents containing misrepresentations and omission of facts for the purpose of exporting defense articles classified under USML Categories IV and XI.

Charge 9 - Failure to Obtain DSP-83 Certificates

Respondents violated § 127.1 of the ITAR one (1) time when they failed to obtain Non-Transfer and Use Certificates (Form DSP-83) for the export of Category IV or XI defense articles, as required by § 123.10(a).

ADMINISTRATIVE PROCEEDINGS

Pursuant to Part 128 of the ITAR administrative proceedings are instituted by means of a charging letter against Respondents for the purpose of obtaining an Order imposing civil administrative sanctions. The Order issued may include an appropriate period of debarment, which shall generally be for a period of three years, but in any event will continue until an application for reinstatement is submitted and approved. Civil penalties, not to exceed \$500,000 per violation,

may be imposed as well in accordance with section 38(e) of the AECA and § 127.10 of the ITAR.

Respondents have certain rights in such proceedings as described in Part 128 of the ITAR. Currently, this is a proposed charging letter. However, in the event that you are served with a charging letter, you are advised of the following matters: You are required to answer the charging letter within 30 days after service. If you fail to answer the charging letter, your failure to answer will be taken as an admission of the truth of the charges. You are entitled to an oral hearing, if a written demand for one is filed with the answer, or within seven (7) days after service of the answer. You may, if so desired, be represented by counsel of your choosing.

Additionally, in the event that you are served with a charging letter, your answer, written demand for oral hearing (if any) and supporting evidence required by § 128.5(b) of the ITAR, shall be in duplicate and mailed to the administrative law judge designated by the Department to hear the case. These documents should be mailed to the administrative law judge at the following address: USCG, Office of Administrative Law Judges G-CJ, 2100 Second Street, SW Room 6302, Washington, D.C. 20593. A copy shall be simultaneously mailed to the Managing Director, Directorate of Defense Trade Controls, Bureau of Political Military Affairs, U.S. Department of State, PM/DDTC, SA-1, 12th Floor, Washington, D.C. 20522-0112. If you do not demand an oral hearing, you must transmit within seven (7) days after the service of your answer, the original or photocopies of all correspondence, papers, records, affidavits, and other documentary or written evidence having any bearing upon or connection with the matters in issue.

Please be advised also that charging letters may be amended from time to time, upon reasonable notice. Furthermore, pursuant to § 128.11 of the ITAR, cases may be settled through consent agreements, including after service of a proposed charging letter.

Be advised that the U.S. Government is free to pursue civil, administrative, and/or criminal enforcement for violations of the AECA and the ITAR. The Department of State's decision to pursue one type of enforcement action does not preclude it, or any other department or agency, from pursuing another type of enforcement action.

-7-

Sincerely,

Lisa V. Aguirre
Director
Office of Defense Trade Controls
Compliance